

Message Text

UNCLASSIFIED

PAGE 01 BONN 10006 01 OF 02 201841Z

45

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 /113 W

----- 116974

R 201829Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0901

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 10006

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 19)

REF.: BONN 9535

1. BUNDESBANK MONTHLY REPORT: ATTENTION IS DRAWN TO THE FOLLOWING POINTS MADE BY THE BUNDESBANK IN ITS JUNE REPORT: 1) IN RECENT MONTHS THE BUNDESBANK HAS DONE "EVERYTHING POSSIBLE AND JUSTIFIABLE" TO PROVIDE THE BASIS FOR ACCELERATED CREDIT EXPANSION. FURTHER EASING OF DOMESTIC CREDIT MARKETS WOULD NOT HAVE IMPROVED THE DOMESTIC FINANCING ENVIRONMENT BUT RATHER WOULD HAVE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 10006 01 OF 02 201841Z

PRODUCED UNDESIRABLE EXTERNAL CONSEQUENCES. AS DEVELOP-

MENTS DURING APRIL DEMONSTRATED, PRESENTLY AN EXCESSIVE LIQUIDITY SITUATION WOULD ENCOURAGE MONEY EXPORTS BY BANKS WHICH COULD TEND TO PUT PRESSURE ON THE DEUTSCHEMARK. (FY I: IN APRIL DOMESTIC BANKS EXPORTED (NET) DM 4.3 BILLION IN SHORT-TERM FUNDS; DM 9.7 BILLION SINCE OCTOBER 1974 WHEN THE BUNDESBANK BEGAN EASING ITS MONEY POLICY.) TO THE EXTENT THAT A WEAKENED DM WOULD NECESSITATE SUPPORTIVE INTERVENTIONS WITHIN THE JOINT FLOAT BY THE BUNDESBANK, LIQUIDITY COULD BE SUBSTANTIALLY REDUCED. 2) THE LOW DEMAND BY FIRMS FOR DOMESTIC SHORT-TERM CREDITS IS AT LEAST PARTIALLY EXPLAINED BY RELATIVELY LARGE FOREIGN BORROWINGS BY GERMAN FIRMS. (FY I: SINCE OCTOBER 1974 GERMAN FIRMS BORROWED DM 4.4 BILLION (NET) SHORT-TERM ABROAD.) THE LENDING INSTITUTIONS WERE MAINLY LUXEMBOURG AND LONDON SUBSIDIARIES OF LARGE GERMAN BANKS. THESE SUBSIDIARIES COULD OFFER LOWER INTEREST RATES THAN THEIR PARENTS MAINLY BECAUSE THEIR DEPOSITS ARE NOT SUBJECT TO MINIMUM RESERVE REQUIREMENTS IN THEIR RESIDENT COUNTRIES. THE FUNDS LENT BY THESE SUBSIDIARIES WERE IN PART RECEIVED FROM FRG SOURCES - PROBABLY INCLUDING THEIR PARENT BANKS. WITHOUT ELABORATION THE BUNDESBANK STATED THAT "PRIOR TO SEPTEMBER 1974 FOREIGN BORROWINGS OF GERMAN NON-BANKS WERE SUBJECT TO THE BARDEPOT REQUIREMENT IN ORDER TO REMOVE THIS (MINIMUM RESERVE) ADVANTAGE AND DISCOURAGE MONEY IMPORTS OF THIS KIND." 3) IN RECENT MONTHS THE DECLINE IN INTEREST RATES HAS CONTINUED. INTEREST RATES PAID ON BANK DEPOSITS HAVE NOW RETURNED TO THE MAY 1972 LEVEL. BANK LENDING RATES, ON THE OTHER HAND, ARE STILL CONSIDERABLY HIGHER THAN AT THAT TIME; FOR OVERDRAFT FOR EXAMPLE, BY ABOUT 2.5 PERCENT, FOR DISCOUNT CREDITS BY 1.7 PERCENT AND FOR MORTGAGES BY 0.8 PERCENT).

2. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 10006 01 OF 02 201841Z

JUNE 12	DM 2.3316	-0.8	-1.3
13	2.3321	-1.0	-1.5
16	2.3330	-1.0	-1.5
17	GERMAN HOLIDAY		
18	2.3328	-0.6	-1.2
19	2.3384	-1.0	-1.3

WITHIN THE JOINT FLOAT THE POSITION OF THE DEUTSCHEMARK
DID NOT CHANGE VERY MUCH. ALL FLOAT CURRENCIES REMAINED
BELOW THEIR DEUTSCHEMARK UPPER INTERVENTION RATES BUT
SWEDISH AND NORWEGIAN CROWNS AGAIN APPROACHED SUCH RATES.

3. MONEY MARKET: THE GERMAN MONEY MARKET TIGHTENED SOME
WHAT DUE TO THE MAJOR MID-MONTH TAX DATE WITH
CALL MONEY RATES AGAIN EXCEEDING THE 4 1/2 PERCENT
REDISCOUNT RATE. DURING THE REPORTING WEEK FRANKFURT

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 10006 02 OF 02 201851Z

45

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 /113 W

----- 117100

R 201829Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0902

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 10006

INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

JUNE 12	4.5-4.8	4.6-4.9	4.6-4.9
13	4.3-4.5	4.6-4.9	4.6-4.9
16	4.3-4.5	4.6-4.9	4.6-4.9
18	4.5-4.9	4.6-4.9	4.6-4.9
19	4.8-5.0	4.7-5.0	4.7-5.0

4. BUNDESBANK FOREIGN POSITION: IN THE SECOND WEEK OF JUNE (JUNE 8-15) THE BUNDESBANK'S NET FOREIGN POSITION DECLINED FURTHER BY DM 0.3 BILLION TO UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 10006 02 OF 02 201851Z

DM 82.4 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE FELL BY DM 362 MILLION, GERMANY'S IMF GOLD TRANCHE POSITION BY DM 21 MILLION, AND GROSS LIABILITIES BY ABOUT DM 80 MILLION. SINCE THE BEGINNING OF APRIL (WHEN THE BUNDESBANK'S NET FOREIGN POSITION BEGAN TO DECLINE FOLLOWING A THREE-MONTH PERIOD OF INCREASING RESERVES DURING WHICH RESERVES INCREASED BY DM 5.0 BILLION, THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 3.8 BILLION.

5. BANK LIQUIDITY: IN THE SECOND WEEK OF JUNE BANK LIQUIDITY DECLINED BY DM 0.3 BILLION. THE PRINCIPAL FACTOR REDUCING BANK LIQUIDITY WERE PAYMENTS FOR THE MID-MONTH TAX DATE. SUCH PAYMENTS ENABLED THE FEDERAL GOVERNMENT TO REDUCE BY DM 1.4 BILLION ITS CASH CREDIT TAKEN UP AT THE BUNDESBANK AND THE STATE GOVERNMENTS TO INCREASE NET ASSETS HELD AT THE BUNDESBANK BY DM 1.5 BILLION. HOWEVER, SINCE AT THE SAME TIME BUNDESPOST NET ASSETS HELD AT THE BUNDESBANK DECLINED BY DM 1.4 BILLION THE TOTAL TIGHTENING EFFECT OF OFFICIAL TRANSACTIONS ON BANK LIQUIDITY WAS ONLY DM 1.5 BILLION. FACTORS INCREASING LIQUIDITY WERE THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE SECOND WEEK OF A MONTH (DM 0.3 BILLION) AND A DM 0.6 BILLION DECLINE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. OTHER FACTORS (NET) INCREASED BANK LIQUIDITY BY DM 0.3 BILLION. THE BANKS FINANCED THE LIQUIDITY LOSS BY RETURNING DM 0.4 BILLION OF MONEY MARKET PAPER TO THE BUNDESBANK. AT THE SAME TIME THEY REDUCED REDISCOUNT BORROWINGS BY DM 0.1 BILLION.

6. BOND MARKET: DURING THE REPORTING WEEK FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

JUNE 12	8.52	8.67	8.23
13	8.51	8.60	8.24
16	8.53	8.64	8.23
18	8.51	8.64	8.22

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 10006 02 OF 02 201851Z

19	8.54	8.64	8.23
----	------	------	------

ON JUNE 19 THE GOVERNMENT OF MEXICO OFFERED ITS FOURTH DM LOAN OF DM 100 MILLION (COUPON 9 PERCENT, ISSUE PRICE 100, MATURITY 7 YEARS NON-CALLABLE). ON JUNE 26 THE BANQUE FRANCAISE DU COMMERCE EXTERIEUR WILL FLOAT A DM 100 MILLION LOAN (COUPON 8 1/4 PERCENT, MATURITY 8 YEARS NON-CALLABLE). THE LOAN WILL BE GUARANTEED BY THE FRENCH GOVERNMENT. THE DM 100 MILLION LOAN OF THE SWEDISH FORSMARK KRAFTSGRUPP AB (SEE BONN 9535) WILL BE OFFERED AT A COUPON OF 8 1/4 PERCENT, AN ISSUE PRICE OF 99 1/2 AND AN AVERAGE MATURITY OF 6 1/2 YEARS (AVERAGE YIELD TO MATURITY 8.34 PERCENT). THROUGH AUGUST, ACCORDING TO THE GERMAN PRESS, 15 ADDITIONAL FOREIGN DM LOANS EACH OF DM 100 MILLION ARE EXPECTED ON THE GERMAN MARKET.

CASH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, POLICIES, BANKS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN10006
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750216-0027
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750627/aaaaaylg.tel
Line Count: 250
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 28 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 FEB 2003 by PhilliR0>; APPROVED <10 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 19)
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006